



DEPARTMENT OF STATE
BRIEFING MEMORANDUM

S/S LAR

S/WF
#15535

8/17/74
Munnis to
Gacy

TO: The Secretary

FROM: EB - Thomas O. Enders

mo8/17

Issues for Your Staff Meeting on the World Food Conference
Monday - 3:00 p.m.

BACKGROUND

When you called for a world food conference at the UNGA regular session a year ago, world food stocks were declining toward minimum levels, prices were rising, and the US had added to the climate of uncertainty by experimenting with export controls on soybeans. There followed a gradual relaxation of concern as consumption levels were sustained through 1973 and into 1974, prices declined somewhat, and the world production outlook appeared encouraging.

The crisis, however, did not pass. The projection of a poor US feedgrain crop has reduced world production estimates by around 5 per cent at a time when there are no reserve supplies. The main distinction between the present situation and a year ago is that it is primarily feed for animals producing meat and dairy products -- not food for direct human consumption -- that is in short supply, though prices for both are increasing. Thus, those directly affected are the affluent rather than, for the moment, the poor. Nevertheless, there is again great concern and a sense of urgency about the need for ensuring an adequate world food supply. It is in this atmosphere that the World Food Conference will open on November 5 -- with the rest of the world looking to the US, as the prime exporter of basic foods, for leadership.

ISSUES

Major Food Conference issues fall under two broad headings -- World Food Security and Food Aid.

A. World Food Security. There is general interest in establishing a reserve food stocks system to ensure against famine because of widespread crop failures. The developing countries have a particular interest in securing increased development assistance for their agricultural sectors so

~~CONFIDENTIAL~~

2

that they will be less vulnerable to bearing the brunt of world food shortages when these develop.

--A Food Reserve System. There is widespread international agreement in principle to FAO Director General Boerma's proposal for international coordination of national stocks policies. However, neither the USSR nor the PRC have declared their position. Because it is the largest single variable in the world grain supply picture, participation by the USSR is essential to any workable stocks scheme. PRC participation is highly desirable but not essential. To gain Soviet participation, a stocks scheme must have sufficient attractions (preferential access to reserves in times of shortage); penalties (payment of premium prices); and general participation to make self-imposed exclusion onerous.

Issue: How far are we prepared to go in limiting access to US food supplies to the USSR, in favor of commitments to a world reserve scheme, in times of short supply? And could a sanction scheme (such as selective export taxes) be workable?

The terms under which the US would participate in a food reserve scheme are still undecided within the Government. Secretary Butz remains opposed to US Government owned stocks -- except, possibly, a small (2 million ton) grain reserve for emergency food relief, while the probable level of stockholding for the US in an effective scheme is in the range of 15-20 million tons. Meanwhile, work is continuing under CIEP/CEA on defining a US position on the world stock requirement and how carrying needed stocks might be shared among exporters and importers. The US has a strong interest in sharing the burden of carrying stocks, and needs to put forward an outline for a workable scheme.

Issue: How can we get agreement within the Government on principles for a stocks scheme that would commit us to an international coordinating mechanism while leaving aside the secondary issue of the internal means we may use to meet our obligation?

--Funding Agricultural Development. There are several proposals for new international funds for agricultural development. Conference Secretary General Marei is preparing to sponsor a proposal that would combine these. Part of his approach rests on accommodating the interest of the oil exporters in greater control over funds they might contribute in exchange for a commitment of their participation.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

3rd

We will be faced with having to decide on whether and to what extent we will participate. A fund for agriculture without US financial, technical and management resources would have greatly reduced effectiveness. Moreover, the fundamental solution to the world food problem -- especially for most LDCs -- is increased production. We should, however, decide in the context of the MTN on trade arrangements that will assure markets for increased production.

Issue: Under what conditions are we prepared to deviate from our opposition to the proliferation of international funds and endorse special financing arrangements for agriculture?

B. Food Aid. Historically, the US has treated food aid as a surplus disposal mechanism -- the quantity of food to be exported concessionally or given away, to move US surplus production, after domestic and commercial export needs have been met. The massive grain surpluses we accumulated in the 1950s and 60s permitted food aid to be used freely for political, economic development and relief purposes. The disappearance of these surpluses and the pro-cyclical nature of our food aid policy has left us unable to fulfill our assistance commitments and left relief recipients uncertain about whether their minimum needs can be met. A more certain basis for food aid will be a major issue at the World Food Conference.

--The Problem for This Year. The absolute limits to our food program for FY 1975 are being dictated by weather. A second important constraint is fiscal policy and the availability of funding above the original \$891 million budget level. In light of Secretary Butz' comments to you on Friday, we may end up with commodity availabilities around 5.2 million tons -- as compared with 3.8 million tons in FY74 and the 7.7 million ton level at which we were aiming only a few months ago for FY75. Such a program would cost-out around \$1.5 billion -- as compared with our FY74 expenditure of \$1.0 billion. In short, we could have a commodity increase of about one-third requiring a budget increase of one-half.

Issue: A request now for a \$600 million increase in the FY75 budget for PL 480 would meet with strong opposition by OMB and others. It also would fan market speculation and impact on domestic prices. Delaying announcement of our food aid intensions past the opening of the UNGA may be unavoidable, but we will need to have a public program by the opening of the World Food Conference. How can agreement best be obtained?

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

4

--The Longer Run. Putting our food aid on a counter-cyclical basis, in which programs can continue in spite of world production declines, is necessary if we are to be credible in our commitments and able to meet relief needs when they are greatest. Accomplishing this also requires a Government commitment on food stocks.

The issues here and on stockpiling for world food security are essentially the same.

US OBJECTIVES

Our objective is to attack the long-run problem of providing an adequate world food supply through international cooperation centered on the productive capacity of US agriculture. Doing so will enhance our ability to use our food production capability strategically.

Our specific objectives should be to get Conference agreement on:

- 1) The size of reserves that will give the world a reasonable degree of protection from food production shortfalls;
- 2) A process and criteria for use in sharing the burden of holding reserves among participating countries;
- 3) Guidelines in accumulating and dispersing reserves and when consultations are to be held;
- 4) An information exchange system relating to the reserve program;
- 5) Cooperation in accelerating agricultural development both by providing greater resources and market incentives;
- 6) Wider agreement on the level of food aid requirements.

YOUR ROLE

You should set the tone and provide direction for the Conference in an opening statement on behalf of the US delegation in which you set forth our objectives. Your statement should come fairly early in the Conference when it will have the greatest attention and impact both within the Conference hall and around the world. The statement should convey the vision of a world able to cope with the funda-

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

5

mental problem of obtaining a nourishing diet through an international approach in which cooperation supplements competition and planning replaces mute acceptance of what nature provides.

Your actual presence at the Conference need only be for your speech.

Clearance: *WGT* S/WF:WGTussey

EB/ORF/OFP:JAPlacke

~~CONFIDENTIAL~~